

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$54,106	\$0	\$50,285	(\$4,380,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$54,106	\$0	\$50,285	(\$4,380,000)

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 423 amends Nebraska Revised Statutes Section 77-27,235, regarding the renewable energy tax credit.

Current statute provides for a tax credit equal to .05 cent per kilowatt-hour for any producer of electricity generated by a renewable energy source. The bill provides for a credit that is either (but not both) of the following:

- A) A credit of 1.5 cents for each kilowatt-hour of electricity generated by a facility that begins commercial operation after the effective date of LB 423, this credit may be earned for the first ten years of commercial operation; or
- B) A one-time credit equal to 30% of the total cost of construction of a renewable energy electric generation facility that begins commercial operation after the effective date of LB 423, this credit shall not exceed \$2 million.

The taxpayer must select which credit option they are going to use and notify the Department of Revenue of their selection. For option A, the selection must be made within before the facility completes its first ten years of operation. For option B, the selection must be made within one year after the facility begins operation.

The bill defines renewable electric generation facility to mean a renewable electricity generation facility located in Nebraska that qualifies as a community-based energy development project (C-BED).

LB 423 further provides that the tax credit may only be used against income tax liability, the franchise tax, or the insurance premium tax and may be transferred, sold, pledged, or assigned multiple times either in whole or in part. The holder of the credit may carry it forward for a maximum of seven years after it is first earned. The credit may no longer be used to obtain a refund of sales and use taxes.

The credit has a current cap of \$50,000 total for all taxpayers; that cap is removed.

The Department of Revenue estimates that the credit will result in one to two additional C-BED projects each year, using wind as a fuel source, with electrical generation capacity of less than 80 megawatts.

The Department estimates the following fiscal impact to the General Fund:

FY2015-16:	(\$ 0)
FY2016-17:	(\$ 4,380,000)
FY2017-18:	(\$ 11,910,000)
FY2018-19:	(\$ 19,450,000)
FY2019-20:	(\$ 26,980,000)

The Department estimates the cost to implement LB 423 will require 1.0 FTE Fiscal Compliance Analyst to administer the bill. PSL will be \$36,922 for FY2015-16 and \$37,808 for FY2016-17.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 423	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/24/2015	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.		

